



CITY OF HOUSTON
Administration and Regulatory Affairs Department
Strategic Purchasing Division

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February 7, 2012

SUBJECT: Letter of Clarification 5

REFERENCE: Request for Proposal No.: S46-T23830 for Delinquent Utility Bill Collection Services

TO: All Prospective Proposers:

This Letter of Clarification is issued for the following reasons:

- **The following questions and City of Houston responses are hereby incorporated and made a part of the Request for Proposal:**

1. Is the pre-bid mandatory?

Answer: *The pre-bid for this solicitation was not mandatory.*

2. What is the purpose of requiring the vendor to have an office in the city, given that this will exclude thousands of otherwise qualified companies?

Answer: *This City of Houston – Utility Customer Service has removed this requirement from the solicitation.*

3. What is the date by which you will answer these questions?

Answer: *It is the intent City's to provide interested proposers adequate time to review all responses and to make necessary adjustment prior to the RFP due date.*

4. Why is the contract out for bid at this time?

Answer: *See introduction section page 16, 1.2. The historical collection rate for UCS has been 99%; however in FY 2010 the rate decreased to 98%.*

5. To how many vendors are you seeking to award a contract?

Answer: *See page 16, 1.1 "The City of Houston reserves the right to select services from more than one proposer in whole or in part."*

6. Who are the incumbents, and how long have the incumbents been providing the requested services?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

7. Has the current contract gone full term?

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Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

8. To what extent are these accounts owed by private consumers versus commercial businesses?

Answer: *For 2011, the approximate number of residential accounts was 75% and commercial accounts comprised of 25%.*

9. Will accounts be primary placements, not having been serviced by any other outside collection agency, and/or will you also be referring secondary placements? If so, should bidders provide proposed fees for secondary placements also?

Answer: *This is the first Delinquent Utility Bill Collection contract; initially all placements will be Primary. In the future there will be secondary placements.*

10. What collection attempts are performed or will be performed internally prior to placement?

Answer: *Customers were contacted by mail and/or telephone.*

11. Will the selected vendor be allowed to litigate balances exceeding a certain dollar amount on your behalf, with your explicit approval?

Answer: *See page 19, 5.9 Litigation, "The Contractor may litigate civil cases with the written consent of the City Attorney and Director, and follow the guidelines as set-forth in Administrative procedure A.P. No. 4-4 Revised June 15, 2011 (see A-1 posted to the City of Houston e-bid site)".*

12. What is the total number of accounts available for placement now by category, including any backlog?

Answer: *The number of accounts in arrears over past 5 years are approximately 60K accounts. Please note: the city does not write off outstanding debt which may span longer.*

13. What is the average balance of accounts by category?

Answer: *Average balance of accounts by category Residential \$250 to \$300, and Commercial accounts \$3,000 and up.*

14. What current contingency fees or other fees are currently being billed by an incumbent(s), by category?

Answer: *N/A There is no incumbent. Work is performed internally.*

15. What is the average age of accounts at placement (at the time of award and/or on a going-forward basis), by category?

Answer: *Beginning contract 0-5 years and moving forward 5+ years. The city does not write off outstanding debt.*

16. What is the monthly or quarterly dollar value of accounts expected to be placed with the vendor(s) by category?

Answer: *For 2011 the approximate number of residential accounts was 75% and commercial accounts comprised of 25%.*

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17. What has been the historical rate of return or liquidation rate provided by any incumbent(s), and/or what is anticipated or expected as a result of this procurement?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract. Please refer to page 16, 1.2, "... with the down turn in the economy, the collection rate has decreased to 98% in FY 2010."*

18. If applicable, will accounts held by any incumbent(s) or any backlog be moved to any new vendor(s) as a one-time placement at contract start up?

Answer: N/A

19. Can you please provide greater explanation of your expectations related to any required subcontracting to minority-owned, women-owned, or other types or categories of small or disadvantaged businesses? For example, what is required with the proposal, and what is required to comply during the term of the contract?

Answer: *The MWBE goal on this project is 15%. All prospective proposers should include with their proposal a list of certified subcontractors that will participate on the contract and their respective percentage. The City of Houston MWDBE/SBE Directory is a database that lists firms certified by the Mayor's Office of Business Opportunity. You may search for certified firms by business name, description, commodity (NAICS) code, or business category. A link to the directory is below:*

<https://houston.mwdb.com/FrontEnd/VendorSearchPublic.asp>

Additionally, the prospective bidders should include the signed letters of intent for each certified subcontractor that will perform on the contract. However, if a prospective proposer is unable to meet the MWBE goal, the "Good Faith Efforts" of the proposer should be documented and sent to Public Works & Engineering Small Business Development. A link to the sample letter of intent and an explanation of the "Good Faith Efforts" are listed below:

<http://www.houstontx.gov/obo/moreforms/intentandtermssample.doc>
<http://www.houstontx.gov/obo/moreforms/goodfaithefforts.doc>

The MWBE policy of the City of Houston was discussed in greater detail during the pre-bid/pre-proposal conference. For information or assistance, contact the Public Works & Engineering Small Business Development Group at pwe.smallbusiness@houstontx.gov or 832-395-2505.

20. What is the average delinquent balance

Answer: *Average balance of accounts by category Residential \$250 to \$300, and Commercial accounts \$3,000 and up.*

21. What is the percent mix of residential accounts vs. commercial accounts

Answer: *For 2011 the approximate number of residential accounts was 75% and commercial accounts comprised of 25%.*

22. What is the breakdown by year for the historic debt

- Number of accounts
- Number of dollars
- What about any statute of limitation issues (2004 etc.)
- Have any of these accounts been previously submitted to the credit bureau

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Answer: Number of accounts: Potentially 10,000 accounts monthly
Number of dollars: Potentially \$260,000 monthly
Statute of limitation: None
Yes residential accounts have been submitted to credit bureau.

23. How often will the "historic accounts" be submitted by The City of Houston – I time or monthly

Answer: *The cities understanding of the question being asked is "historic accounts" to mean accounts that are closed or inactive and 60+ days in age will be submitted monthly.*

24. What is the historical liquidation rate for The City of Houston on "historic accounts"

Answer: *The cities understanding of the question being asked is "historical liquidation rate" as being accounts that would be written off. The city does not write off outstanding debt.*

25. Would it be your expectation that the agency would price the "historic accounts" at a different rate than the current write-off accounts?

Answer: *Please see page 19, 6.2 for pricing structure. The city does not write off outstanding debt.*

26. How many agencies is the City of Houston planning to employ.

Answer: *Please see page 16, 1.1 Introduction, "The City of Houston reserves the right to select services from more than one proposer in whole or in part." The award will be made to the respondent(s) offering the best strategy and operational plan meeting the need to increase the collection rate.*

27. What is the historical liquidation rate for The City of Houston on current accounts?

Answer: *The cities understanding of the question being asked is "historical liquidation rate" as being accounts that would be written off. The city does not write off outstanding debt.*

28. Are there any write-off accounts that are considered non-commissionable where a contingency fee "would not" be paid to the primary agency

Answer: *The city does not write off outstanding debt. Please see page 19, 6.2, Pricing Structure. It is the Cities intent to pay for successful collection, "...propose an alternate pricing structure based on meeting specific financial and operational performance measures."*

29. Does The City of Houston have the ability to distinguish between residential and commercial accounts

Answer: Yes

30. How often will charge-off accounts be submitted to the primary collection agency for treatment

Answer: *The cities understanding of the question being asked is that accounts that are closed/inactive and 60+ days in age will be submitted a minimum of monthly.*

31. How often will the City of Houston submit updates (payments, credits and withdrawal notices) to the collection agency

Answer: *Please see page 21, 8.2.1 System Compatibility, Daily.*

32. Are debtor payments directed to the collection agency of The City of Houston

Answer: See 7.4 Page 20

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33. Will The City of Houston allow participating bidders to submit questions up until the final bid is submitted – either via message board or email

Answer: *The City will not respond to any questions received after the question deadline.*

34. Will the Questions & Answers from today's meeting be published for participating vendors

Answer: *All questions received in writing as well as the City of Houston' response will be published in a Letter of Clarification (s) and posted to the e-bid site.*

35. What is the cancellation clause

Answer: *Please refer to See page 5 Section 15.0 and 17.0.*

15.0 The City may terminate its performance under a contract in the event of a default by the Prime Contractor and a failure to cure such default after receiving notice of default from the City. Default may result from the Prime Contractor's failure to perform under the terms of the contract or from the Prime Contractor becoming insolvent, having a substantial portion of its assets assessed for the benefit of creditors, or having a receiver or trustee appointed.

17.0 The City of Houston has sole discretion and reserves the right to cancel this RFP, or to reject any or all Proposals received prior to contract award.

36. Are there any language requirements on our letters or by our live agents?

Answer: *Please see page 18, 5.6 Form and Content of Notices. "The Contractor must develop notices in both English and Spanish, duplex printing." See page 19, 5.7.1 "The Contractor must maintain Spanish speaking staff to assist Hispanic customers."*

37. Are there any types of payments they will not allow us to take (i.e. post-dated, etc.)

Answer: *It is the Cities understanding of the question, is it permitted for the vendor to accept post-dated checks, or promise to pay commitments from the debtor. Yes, but in order for the agency to report payment funds to the City, the funds must have been processed/cleared. Please see page 20, 7.1 "All payments must be processed immediately and reported in real time."*

38. How are they calculating recovery rates: dollars submitted/recovered per month or dollars collected by month submitted?

Answer: *Rate of success is determined by the increase of accounts collected beyond 98%, which is the City of Houston's current collection rate.*

39. Will the City of Houston be recalling the write-off accounts and employing a second placement agency

Answer: *Please see page 16, 1.1 "The City of Houston reserves the right to select services from more than one proposer in whole or in part." Also see our response to question number 9.*

40. Will COH make indemnification reciprocal to the contractor/supplier?

Answer: *No—cities are prohibited by the Texas constitution from indemnifying other parties*

41. If the indemnification becomes reciprocal then would the indemnification process also change?

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Answer: No—cities are prohibited by the Texas constitution from indemnifying other parties

42. The COH bills in excess of \$700,000,000 annually, with stated recovery rates of 97%-98%. Please confirm if your expected write-off volume will be in the \$14,000,000 to \$21,000,000 range.

Answer: *The city does not write off outstanding debt.*

43. Is vendor required to offer physical address and phone skip tracing service daily at no charge to City of Houston?

Answer: *The City will be reviewing responses that will be the best value.*

44. 3rd bullet point refers to "Expected dollars collected as a percent of dollars assigned" "Tiered by age of delinquency both for current and historic receivables" – What does that mean and please provide an example.

Answer: Please refer to the response to question 22.

45. Can The City of Houston explain a typical situation where a UCS representative would secure a payment from a debtor based on a lien, garnishment or levy?

Answer: *A customer with a closed account that was referred for outside collection returns to open a new account at a different address COH will recall the account that was originally placed. Placed account balance of \$10,000.00 a COH filed a lien for \$5,000; % of pricing structure would be on the balance not covered by the lien.*

46. What happen in the instance where the contractor/suppliers call center staff are part time and not currently receiving health benefits?

Answer: The Pay or Play Program applies to employees of a covered contractor or subcontractor, including contract labor, who are over 18, work at least 30 hours per week and work any amount of time under a covered city contract or subcontract. If the employees are working less than 30 hours total for the week, the contractor does not have to comply with the Pay or Play Program. For additional information on the Pay or Play Program and its requirements, please visit the Public Works & Engineering Small Business Development Group's website at the link below:
<http://www.publicworks.houstontx.gov/pop.html>

47. Who is/are the current contracted collection vendor(s)?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

48. What is/are the current vendor's contracted commission rate(s)?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

49. What are the current agencies recoveries and/or annual dollars collected?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

50. How much has COH paid out to the vendor(s) for services?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

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51. Regarding collection of accounts that COH is referring for collections, please provide the following information:

- What is the estimated volume and value of initial placements of each type of debt?
- What are the estimated annual/monthly placements (volume and value), for each debt type
- What is the average age of the accounts to be placed? What is the age of the oldest accounts?
- What is the average balance?

Answer: **RESERVED:** To be addressed in Letter of Clarification 6

52. Will there be multiple debts for one person? If so, on average how many would one person have on average?

Answer: *Yes, it is possible to have multiple debts for one company/person.*

53. If COH awards a contract to a new vendor will COH recall all previously placed accounts with the current vendor and place those accounts with the new vendor?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

54. What is your current vendor's pricing structure?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

55. Can you provide historical liquidation rates by your current vendor and do you have liquidation rate goals for this contract?

Answer: *Currently there is not a Delinquent Utility Bill Collection Contract.*

56. Will there be any interest fees added to delinquent accounts? If yes, will COH calculate in files sent or will vendor calculate and update fees?

Answer: No

57. States City does not want vendors to report to the credit bureaus. However, in section 5.10 Credit Reporting it states that the City does want credit bureau reporting and provides specific requirements. Which is correct?

Answer: *Please see page 16, 1.3 for your review, there is no reference to City not wanting vendors to report to the credit bureaus. Please see page 19, 5.10 Credit Bureau Reporting, for the City of Houston expectations.*

58. How many files does the City anticipate sending the vendor requesting address and telephone information at no charge?

- How will the City notify the vendor that contact has been made with debtor and that a fee can be charged?
- What process or assurance will the City provide that we are correctly being notified that contact has been made utilizing information provided?
- What type of fee (percentage, flat, etc.) can we charge for information provided that resulted in successful contact of the debtor?

Answer: *The City of Houston will review incoming proposals and evaluate.*

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59. With the City having on-line access to a vendor's system to view accounts and what calls were made to each debtor, why is the City requiring a monthly call report on every account? This report would be very large and not sure to what purpose it would serve as we do not currently provide such a report to any other client.

Answer: *The City of Houston will evaluate and consider contractor proposals.*

60. If we do not have any business relationship with a local government entity, are we still required to complete this form? If so, how do we answer the first question?

Answer: No, but please provide a notice indicating that you are not providing this form because they have no such relationships.

61. Can the City provide a copy of this RFP in Word format for ease in responding to questions and requirements?

Answer: No

62. Due to the holidays the current due date for responses will be difficult to meet. Would COH consider a 5-10 business day extension? We will be shipping the proposal from the East Coast and like to allow 3 days for shipping to ensure timely delivery. An extension would benefit COH by allowing us and other potential bidders to incorporate the City's responses to questions submitted and provide a more thorough and accurate response. Your consideration of this request is greatly appreciated.

Answer: *Please refer to the City's response to question 3.*

63. In regards to the local office, would our partnered M/WBE local office meet this requirement?

Answer: *The City of Houston has removed the local office requirement.*

64. What is the average balance size of the portfolio?

Answer: *Average balance of accounts by category Residential \$250 to \$300 Commercial accounts \$3000 and up.*

65. What is the City's expected liquidations?

Answer: *The cities understanding of the question being asked is "liquidation" as being accounts that would be written off. The city does not write off outstanding debt.*

66. Are the accounts primary placements?

Answer: *This is the first Delinquent Utility Bill Collection contract; initially all placements will be Primary. In the future there will be secondary placements.*

67. What is that average delinquency date?

Answer: *Initial placement delinquency date to begin at 90+ days. The city does not write off outstanding debt.*

68. What would the monthly volumes/forward flows be?

Answer: *To be determined based on performance.*

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69. What is the recall period (6 months or 12 months)?

Answer: *Please see page 21, 7.13 for your review, "The contractor shall return to the City all accounts that remain uncollected 12 months after they are received by the contractor."*

When issued, Letter(s) of Clarification shall automatically become a part of the proposal documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. All revisions, responses, and answers incorporated into the Letter(s) of Clarification are collaboratively from both the Strategic Purchasing Division and the applicable City Department(s). It is the responsibility of the proposers to ensure that it has obtained all such letter(s). By submitting a proposal on this project, proposers shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into this proposal.

If you have any questions or if further clarification is needed regarding this Request for Proposal, please contact me.

Sincerely,

Eric Alexander

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END OF LETTER OF CLARIFICATION 5

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